

**ASSEMBLY BILL**

**No. 2169**

**Introduced by Assembly Member Chavez**

February 20, 2002

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An act to amend Section 10168.2 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

AB 2169, as introduced, Chavez. Insurance: annuities.

Existing law provides for regulation of insurers by the Insurance Commissioner. Existing law, with respect to certain annuity contracts, establishes an interest rate of 3% applicable to the computation of a minimum nonforfeiture amount under the contract.

This bill, in the case of an annuity contract providing for flexible considerations, would modify the interest rate applicable to the computation of the minimum nonforfeiture amount payable at any time at or prior to the commencement of any annuity payments from 3% to 1 1/2%.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 10168.2 of the Insurance Code is  
2 amended to read:  
3 10168.2. The minimum values as specified in Sections  
4 10168.3, 10168.4, 10168.5, 10168.6, and 10168.8 of any paid-up  
5 annuity, cash surrender or death benefits available under an

1 annuity contract shall be based upon minimum nonforfeiture  
2 amounts as defined in this section.

3 (a) With respect to contracts providing for flexible  
4 considerations, the minimum nonforfeiture amount at any time at  
5 or prior to the commencement of any annuity payments shall be  
6 equal to an accumulation up to such time at a rate of interest of 3  
7  $1\frac{1}{2}$  percent per annum of percentages of the net considerations (as  
8 hereinafter defined) paid prior to such time, decreased by the sum  
9 of (i) any prior withdrawals from or partial surrenders of the  
10 contract accumulated at a rate of interest of 3  $1\frac{1}{2}$  percent per  
11 annum and (ii) the amount of any indebtedness to the company on  
12 the contract, including interest due and accrued, and increased by  
13 any existing additional amounts credited by the company to the  
14 contract.

15 The net considerations for a given contract year used to define  
16 the minimum nonforfeiture amount shall be an amount not less  
17 than zero and shall be equal to the corresponding gross  
18 considerations credited to the contract during that contract year  
19 less an annual contract charge of thirty dollars (\$30) and less a  
20 collection charge of one dollar and twenty-five cents (\$1.25) per  
21 consideration credited to the contract during that contract year.  
22 The percentages of net considerations shall be 65 percent of the net  
23 consideration for the first contract year and  $87\frac{1}{2}$  percent of the net  
24 considerations for the second and later contract years.  
25 Notwithstanding the provisions of the preceding sentence, the  
26 percentage shall be 65 percent of the portion of the total net  
27 consideration for any renewal contract year which exceeds by not  
28 more than two times the sum of those portions of the net  
29 considerations in all prior contract years for which the percentage  
30 was 65 percent.

31 (b) With respect to contracts providing for fixed scheduled  
32 considerations, minimum nonforfeiture amounts shall be  
33 calculated on the assumption that considerations are paid annually  
34 in advance and shall be defined as for contracts with flexible  
35 considerations which are paid annually with two exceptions:

36 (1) The portion of the net consideration for the first contract  
37 year to be accumulated shall be the sum of 65 percent of the net  
38 consideration for the first contract year plus  $22\frac{1}{2}$  percent of the  
39 excess of the net consideration for the first contract year over the



1 lesser of the net considerations for the second and third contract  
2 years.

3 (2) The annual contract charge shall be the lesser of thirty  
4 dollars (\$30) or 10 percent of the gross annual consideration.

5 (c) With respect to contracts providing for a single  
6 consideration, minimum nonforfeiture amounts shall be defined as  
7 for contracts with flexible considerations except that the  
8 percentage of net consideration used to determine the minimum  
9 nonforfeiture amount shall be equal to 90 percent and the net  
10 consideration shall be the gross consideration less a contract  
11 charge of seventy-five dollars (\$75).

